



The Office Of State Treasurer  
Denise L. Nappier

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# News

**PRESS RELEASE**  
FOR IMMEDIATE RELEASE  
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## **OPEB TRUST FUND GENERATES STRONG INVESTMENT RETURNS** *Grows to \$127 million in 2013*

HARTFORD, CT -- State Treasurer Denise L. Nappier today announced that the State's Other Post-Employment Benefits ("OPEB") Trust Fund generated a strong, risk-adjusted return, net of expenses, of 6.45 percent for the calendar year ended December 31, 2013 – surpassing the Fund's actuarially assumed rate of return of 5.7 percent.<sup>1</sup>

The solid performance of the OPEB Trust Fund helped to propel the overall value of the Fund to \$127 million as of December 31, 2013, its highest market value ever posted. Buoyed by strong equity gains, the Fund's overall investment return added a gross \$7.1 million of market value to assets in 2013; net of management expenses, it added \$6.9 million.

Treasurer Nappier stated, "Since 2008, we've gone from zero to \$127 million in assets: in my view, a good start. The State's obligation to pay retiree health benefits is considerable, though. And if we are to meaningfully invest these assets over the long term, the State must establish a clearer funding policy and prohibit benefit payment withdrawals, until such time as the Fund has accumulated enough assets to ensure preservation of its principal."

In January of 2013, Treasurer Nappier directed the transfer of the assets of the OPEB Trust Fund from the State's Short-Term Investment Fund to the Connecticut Retirement Plans and Trust Funds, and after a comprehensive Asset Allocation and Liability Study conducted in consultation with the State's independent Investment Advisory Council, a long-term investment strategy was implemented. Fund assets are now diversified across global equity, fixed income and alternative asset strategies.

The allocation to global equities, which accounts for about 36 percent of plan assets, was a primary driver of the OPEB Trust Fund's return in 2013. The Fund's investments in global equities returned 24.9 percent for the calendar year ending December 31, 2013.

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<sup>1</sup> The Treasurer's Office invests state and employee contributions, and previous investment earnings, that have been reserved for future benefits payments. These are the assets referenced in this statement.

In 2013, employee contributions totaled \$33.7 million. A revised 2011 agreement reached between Governor Dannel P. Malloy's Administration and the leaders of the State Employees' Bargaining Agent Coalition (SEBAC) increased the contribution required by state employees to the Fund. As of July 1, 2013, all state employees must contribute to the fund for 10 years, or until their retirement, whichever is sooner.

Historically, Connecticut's health benefits have been funded on a pay-as-you-go basis, with benefits paid from current year general fund appropriations. Beginning in 2008, the State committed to partially pre-fund its future liability, but then deferred payments until March of 2012 due to budget constraints. Under the 2011 agreement with SEBAC, the State will begin contributing to the OPEB Trust Fund in 2017 an amount equal to employee contributions.

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